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Increasing Customer Intimacy through Customer Relationship Management

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ABSTRACT

Customer intimacy is a relationship between a company and its customer, where the company collects information to better understand and serve the customer. Many online companies want to establish this relationship, and if successfully formed, it is expected that customer loyalty will increase, resulting in increased revenue for the company. However, the desire of the company to collect intimate information is resisted by customers that have little trust, concern for privacy, no justification for provision of personal information, and substitutes. Companies must entice customers to provide increasingly intimate information, but are met with increasing reluctance by the customer. This suggests that there is a Continuum of Customer Intimacy. Additionally, the willingness of the customer to provide increasingly intimate information is affected by a number of factors. Finally, there is discussion of how customer relationship management (CRM) tools may be used to affect the willingness of the customer to share information.

Keywords

Customer intimacy, Customer Relationship Management, Online Trust, CRM

INTRODUCTION

Online Companies seeking to better understand their customers are being met with resistance. These businesses feel that additional information about the customer's preferences, thoughts, and beliefs can help the company operate more efficiently and offer better service to the customer. However, attempts of companies to capture this intimate information from customers are not necessarily successful, or in cases where it is successful, customers are left wondering why that information was required.

For customers using the internet for making purchases, there are certain pieces of information that are considered necessary, such as name, address, and payment information. Attempts to gather additional information, such as secondary credit card accounts and reasons why a product was selected, are at times offensive to the customer if they are not requested for a reason the customer understands. This dynamic between the company and the customer implies a hierarchy, or Continuum of Customer Intimacy. On the one hand, companies stand to learn a great deal about their customers, and on the other hand, customers feel extensive information collection is unjustified and without reward.

If customers can be persuaded to provide additional feedback or preferences to the company, the company is in a position to offer tailored services to that customer using Customer Relationship Management (CRM) tools. Many companies are attempting to establish a CRM program, and continue to collect all types of data about customers' navigation patterns in a website, what they purchase, and what they state they are interested in. However, few companies use this information effectively themselves, much less pass on the benefits to the customer.

Utilizing CRM effectively can influence some of the factors that lead a customer to be willing to share intimate information. By providing the customer cost savings or benefits that lead to increased perceptions of quality, justification, and better reputation, companies can reinforce the relationship with the customer that they covet.

Many companies providing websites for purposes such as customer service, entertainment, information, and sales can utilize the benefits of customer information and the tools of CRM. Individuals as customers are expected to have a more personal stake in relationships with companies as compared to businesses as customers. Therefore, for the purposes of this paper, websites that are deployed primarily for the purpose of sales to individual customers are considered. For websites with other

concentrations, the continuum of customer intimacy is likely to shift, especially with respect to financial information. Concentrating on business-to-customer websites, this prompts the following research questions (RQ) for this study:

RQ₁: What is the online customer's Continuum of Customer Intimacy?

RQ₂: What are the key factors affecting Customers' Willingness to Share Intimate Information?

RQ₃: How might Customer Relationship Management tools be used to enhance the factors that lead to customer intimacy?

CUSTOMER INTIMACY

Customer Intimacy can be defined as how well the company and customer know each other. This knowledge-based relationship is key to many businesses because to the customer-intimate company, the "greatest asset is customers' loyalty" (Treacy, et al., 1997). This relationship is a two-way street where the company needs to go beyond simply determining the customer's product and service requirements. The company needs to understand the wants and needs of the customer so they can offer advice and expertise (Treacy *et al.*, 1997). At the same time, the customer must be willing to divulge certain information about these needs and wants so that the company can understand and act upon the knowledge of the customer.

For traditional companies, customer intimacy is achieved through personal interaction with the customer, either through face-to-face contact or by telephone. The relationship is centered on the company's ability to know the customer's needs and wants and to be able to use that information to offer solutions to fulfill those voids. When used for customer intimacy purposes, personal interactions, such as conversations, are full of information that helps companies identify not just the desired product or service, but also information about what the "broader, underlying problem" might be (Treacy *et al.*, 1997). Understanding the bigger picture allows companies to not only offer better immediate solutions, but also predict future needs and solutions.

In the electronic environment of the Web, the customer intimacy luxuries of personal contact and lengthy conversations are not easily available. Therefore, companies trying gain customer loyalty through customer intimacy have great difficulty in reading body language, interpreting context, understanding the customer's environment, and having conversational exchange. Of course, companies trying to serve the customer through the web are not disinterested in customer intimacy because of the difficulties characteristic to this interaction environment. These companies still want to offer fulfillment of those customers' wants and needs in an effort to maintain strong customer relationships and loyalty.

Typically, the Web-operating company is very interested in gathering information about customers so that they can better serve them. The customer, however, is often reluctant to give away personal information to companies until it is necessary. As commerce becomes increasingly digital and information more easily transferable and useable, customers are becoming more reluctant and selective about giving out information. For a company to get the information it desires from the customer, the company must present itself as reliable and trustworthy, or else the customer will shop elsewhere.

On the surface, customer intimacy seems to have different levels. Most people are not too reluctant to give their name to someone. Giving their address or phone number to a business begins to cross into the realm of question. Should I trust this company to use my information legitimately and honestly, or should I expect to be bombarded with junk mailings and phone calls from the company, or other companies? This path (Figure 1) can progress along a chain until the company knows the users thoughts, beliefs, and feelings.

The Continuum of Customer Intimacy is a conceptual model of the author's creation which tries to depict the likely progression of information given as customers become more intimate with a website. It is generally expected that the customer begins with their name and progresses to a point of sharing internal thoughts and beliefs. This model does not take into account the provision of false information by the customer because in general website transactions, accurate information is needed for the product or service to be delivered.

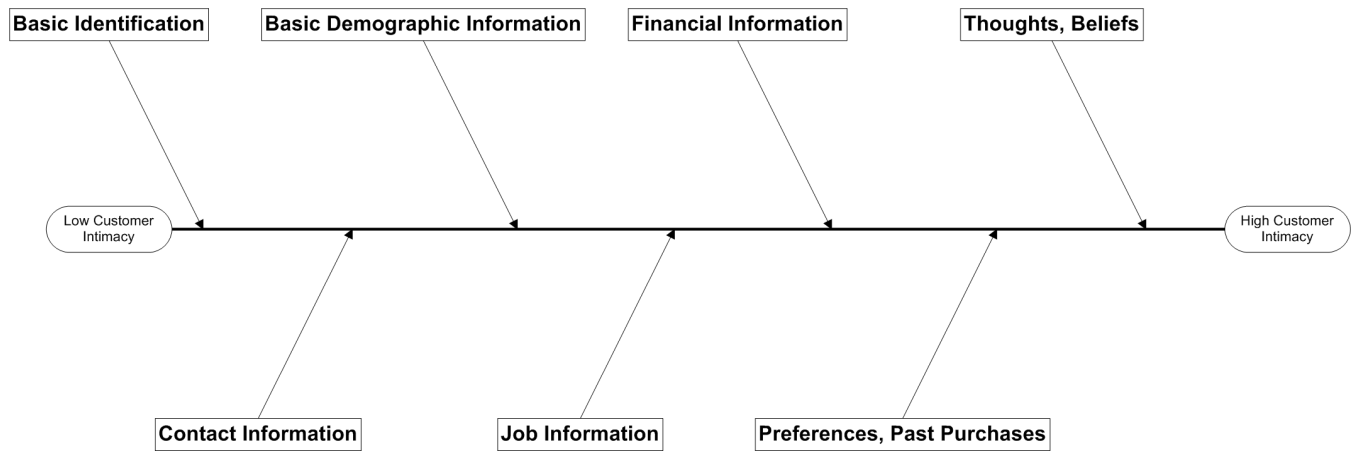


Figure 1: Conceptual Continuum of Customer Intimacy

For many companies trying to distinguish themselves from others and create customer loyalty in the online marketplace, their desire is to understand customers' needs and wants. To serve the customer, the website needs to collect information such as names, email addresses, land addresses, phone numbers, and credit card information. As the company becomes more interested in providing more than a product to customer, an increased level of intimacy is required. Upon obtaining information on preferences, thoughts, and beliefs, the company is in a better position to offer services such as advice and relevant expertise.

However, the customer is reluctant to give out this information. The customer wants to give out the minimal amount of information required to get what they desire. When the customer is prodded for more intimate information, the customer evaluates the necessity of this inquiry.

From the company's perspective, understanding that there is decreasing willingness of the customer to be intimate, the company must be sure to provide the justification to the customer in exchange for intimate information. If not, the company runs the risk of alienating the customer.

CONCEPTUAL MODEL

Companies that have an established brand or company image for being trustworthy should have a relatively easier path to establishing customer trust online. Research asserts that familiarity with a trustworthy e-vendor positively affects trust in that e-vendor, though results of this study proved insignificant (Karahanna, 2003). For some companies, this familiarity exists offline already. Popular examples of companies that have leveraged their reputation successfully from traditional commerce to online commerce are Barnes and Noble, Land's End, and Best Buy. These companies, in general, have positive customer perceptions, which are considered when customers shop online.

Companies that formed as online businesses have to push their brand hard to become familiar and reputable enough to become the destination of customers in this environment. Two popular online-only success stories are Amazon.com and eBay. Both of these companies enhance customer trust in conducting business through their websites by providing disclosure policies and providing user feedback systems. Through the user feedback systems, customers can evaluate the both the product (or seller in the case of eBay) and the website. Since evaluations of the website can be mixed into the feedback, customers are indirectly evaluating the company controlling the website. Once the company's reputation is established, customers will continue to use this system to evaluate the products or sellers (in the case of eBay), but will not use it as much to evaluate the company's website.

Customers may also perceive alliances as proxies for the trustworthiness of a website. For example, companies like Target, Toys 'R Us, and Marshall Fields have partnered with Amazon.com to provide a broader selection at a single location. Customers may assume that companies in alliances are careful with whom they associate, and that through association, they are endorsing the website and the company that hosts it.

Customers that feel comfortable with the company, whether established through the website or in a more traditional sense, will trust the website more.

Proposition 1: A positive perception of the Company or Brand will lead to increased Customer Trust of the Company's Website

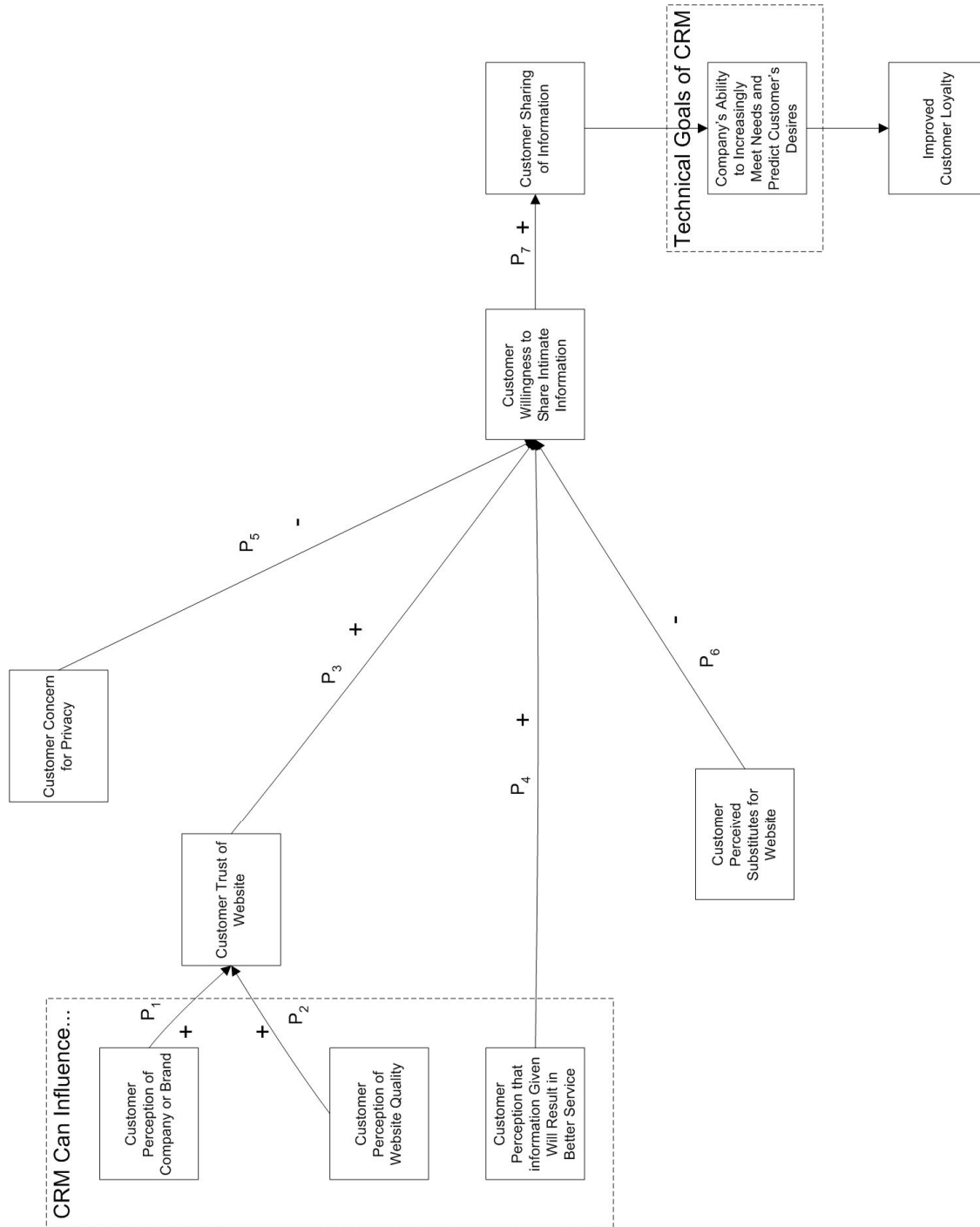


Figure 2: Conceptual Model

Websites should be sensitive to the customers' requirements for quality. In the environment of the internet, customers are not only making judgments of the quality of the product they are buying, but also the quality of the system handling the transaction. Customers do not have the ability to complete the transaction in person, and therefore, respond to quality indicators to determine if the website is trustworthy. This includes quality in the form of correct spelling, grammar, and syntax (Koehn, 2003).

Koehn suggests that vendors may use a third party to vouch for a company in order to increase customer's trust of the website (Koehn, 2003). These third party certifications, or structural assurances, such as TRUSTe, are cues to the customer that the website meets an acceptable quality level. Karahanna found support for her hypothesis that perceptions of structural assurances positively affect trust (Karahanna, 2003). Quality for purchases online is partially defined by security of personal information from interception or misuse by the company.

Customers that become increasingly familiar with online purchasing grow to expect particular levels of quality. The familiarity with the process of purchasing online creates perceptions of situational normality. Research supports the assertion that perceptions of situational normality positively affect trust in an e-vendor (Karahanna, 2003). Websites that exhibit poor system quality through slow operation, or fail to retrieve pertinent and correct information are perceived to have lower quality. Additionally, websites that appear unfamiliar in their interface are perceived similarly. Though customers do not necessarily think in this vocabulary, they assume the presence of system quality and information quality, but do not react until these quality types are lacking.

Proposition 2: A Customer Perception of High Website Quality will lead to increased Customer Trust of the Company's Website

Research indicates that there are a number of types of trust. One categorization of the types of trust lists four types: goal-based, calculative, knowledge-based, and respect-based. Of these types, calculative and knowledge-based trusts are expected to be the most prominent in the online environment, though respect-based trust may be a company's goal. Calculative trust seeks to establish what the other party will do based on their history or reputation, but not necessarily a relationship. Knowledge-based trust occurs in situations where interaction is more frequent, and based more on belief in character than expectations of the other party. Respect-based trust entails knowledge of the other's character as well as knowledge of that party's belief in higher virtues, such as honesty, wisdom, or excellence (Koehn, 2003).

Koehn suggests that companies operating online must have open relationships with their customers through sharing information if they are to establish trust with their customers. Furthermore, companies should attempt to better understand their customers and offer them appropriate services. Privacy policies, openness about the use of customer information, and website quality are means for companies to establish calculative and knowledge-based trust (Koehn, 2003). These types of trust comfort a customer who wishes to make a purchase from the website.

Proposition 3: High Customer Trust of the Website will lead to increased Customer Willingness to Share Intimate Information

Customers have concerns when they have to provide information to a business. When cash-paying customers are asked at a checkout counter for their phone number, most refuse or reluctantly cooperate. Similar or greater reluctance occurs when purchasing on the internet. Customers have expectations about the information required to complete the transaction, and red flags fly when additional information is required.

Many companies feel a need to collect as much information as possible, even when a use for the information does not currently exist. Customers have concerns that their personal information will be sold or stolen. This dynamic of request and resistance creates friction between the customer and the company. If a company can reveal how additional information can pass valuable benefit to the customer, then the customer will be more likely to provide that information. For example, if a company requests a list of the customer's interests, they are frequently ignored. Additionally, the company may mass email prior customers about all of the current discounts on products, which in turn, may annoy the customer. However, a company that is truthful in their intention to more accurately expand product offerings based on customer interests, and agrees to only email the customer if products of that type are discounted 30% or more, might find customers are more willing to share intimate information. This type of marketing is similar to Permission Marketing (Godin, 1999). The assertion is that companies must justify their need for information and provide evidence that it will, in turn, benefit that particular customer.

Proposition 4: Customers perceiving that Information Given will result in Better Service will have a higher Willingness to Share Intimate Information

Customer concern for privacy has risen to the level that governments are getting involved. Both governments in the European Union and the United States have laws governing certain individual rights, protected information, and customer options on the internet, though much of this realm remains self-regulated (Hemphill, 2002; Larson, et al., 2003). Han et al. says that 39% of consumers cite “lack of control over who gets the information” as a major privacy concern (Han, et al., 2002). The concern for privacy and loss of control of information is viewed as having a negative effect on the likelihood that a customer will reveal information to a website.

Furthermore, there are companies that choose to use “adware” or “spyware” as a means of targeting customers based on their web surfing habits. One such example involves Gator Corporation, which places software on users’ computers. The software tracks where the user surfs and pops up an ad according to the user’s web location. There has been significant backlash from this method of targeting customers with specific advertising and it increases the concern for privacy for the customer (Hagerty, et al., 2003).

Proposition 5: Customers with High Concern for Privacy will have a lower Willingness to Share Intimate Information

In the electronic environment, selecting an alternate website to purchase an item from is as simple as a few clicks of the mouse. For many products, there are substitutes for the website selling the product, either online or in the real world. These substitutes provide customers another means to fight the collection of information that they do not see as appropriate. Customers that do not understand the need for a company to collect intimate information will be more prone to seek and utilize substitutes for the website, whether online or offline. To the extent that customers perceive substitutes for the website, they will be more resistant to sharing unnecessary information.

Proposition 6: Customers who Perceive Reasonable Substitutes for the Website will have a lower Willingness to Share Intimate Information

The Theory of Planned Behavior suggests that an individual’s behaviors are driven by their attitudes toward that behavior, social norms, and perceived behavioral controls (Ajzen, 1985). In the online environment, customers might perceive behavioral controls in the form of the website’s requirement to provide particular information. However, behavioral controls are not expected to provide a great incentive for a customer to provide higher levels of information because of the availability of substitute and choice. Social Norms may have an effect on a customer’s initial interest in the online environment, but overall, it is expected that this factor will be minimal when actually completing a purchase. It is expected that online customers develop an attitude, in the form of their Willingness to Share Intimate Information, which leads to the behavior of sharing information.

Proposition 7: An increased Customer Willingness to Share Intimate Information will lead to increased Customer Sharing of Information

The previous seven propositions have been developed with the customer in mind and are shown in the Conceptual Model (Figure 2). The behavior of a customer sharing information is what many companies have been interested in all along. This is not to say that all companies have a need or a desire for this level of information, but for those that do, these propositions suggest ways to facilitate the collection of information from wary customers.

Once the information is collected, the emphasis shifts to the company, represented by the change of direction in the model. It becomes the company’s responsibility to take this information to increase their ability to meet the needs and predict the desires of the customer. To the extent that companies are able to build this ability and communicate the results to the customer, customers are expected to be more loyal.¹ CRM is a tool that can both increase this ability of a business and communicate back to the customer the benefits of the revelation of information to the customer.

¹ The propositions associated with the company’s ability and customer loyalty are beyond the scope of this research, though the ideas are provided in the model for relevance and completeness.

CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management (CRM) has been described in a number of ways, such as an approach to business, a business strategy, a technology, and a means of branding. Others describe CRM as both a “sales information management system” and simultaneously a customer-centered response tool (Smock, et al., 2000). In its essence, CRM attempts to understand customers as individuals and offer services and information tailored to that individual. CRM seeks to establish a learning relationship with the customer, which understands not only basic information like name and address, but habits and preferences (Peppers, et al., 1999). A primary interest of CRM, therefore, is collecting information along the Continuum of Customer Intimacy.

One of the primary benefits to the customer of CRM is customization. Customization can provide the customer with more relevant information and lower search costs for purchasing products. It may also offer special services, such as birthday reminders, product suggestions, or user forums that the customer requests. However, customization is difficult to implement successfully and often not even attempted by the company. However, if implemented successfully, customization can lead to business benefits such as customer loyalty, increased cross-selling, higher customer satisfaction, and reduced transaction costs (Peppers et al., 1999). Through customization, companies can improve the customers’ perceptions of the company and website quality, both factors proposed to affect customer trust of the website (Figure 2).

With some investment in CRM, businesses can have at their disposal some powerful tools for collecting, managing, and analyzing customer information. However, most customers do not realize any benefit from providing this information and will become less likely to provide it without reward. Therefore, it is the responsibility of the company to take this information and find uses that not only benefit themselves, but also increase the perception that information given will result in better service for the customer (Figure 2). Without the link back to the customer, businesses can expect customers to steer clear of relationships and quit purchasing, or simply transact on the internet.

Disturbingly, CRM initiatives sound much better in theory than they appear in practice. CRM systems often lead customers to feel manipulated, confused, and stressed. Customers feel they are bothersome, provide no benefit back to the customer, and provide useless services. Fournier et al. lists a number of reasons that relationship marketing initiatives, often involving CRM, annoy customers. Some examples are that marketing initiatives seem trivial and useless, that companies request loyalty from customers, yet do not reward loyal customers, and that it leads to creation of more alternatives, rather than fewer focused alternatives based on preferences (1998). Failure of CRM systems is not only reflected in poor customer satisfaction, but more importantly in lack of revenue gains. It is not enough to “delight” the customer; the customer must show appreciation of the relationship with their wallet (Smock *et al.*, 2000).

DISCUSSION

Implications for Research

This research is an attempt to bring together the various factors that lead to a customer’s willingness to share intimate information. By understanding the motivations behind this exchange, researchers can then look at how this information leads to a company’s ability to meet the needs and desires of the customer using tools such as CRM. Thus far, much of the research about website use and reuse has concentrated separately on factors such as trust, privacy, and quality. This research attempts to bring together these streams of research, add some factors, and yield greater insight into the reasons why the customer is willing or reluctant to share intimate information.

Additionally, understanding the impact that CRM can have on a business is important. In many cases, CRM has transformed from the industry buzzword to a waste of resources, but the principles underlying the technology are not misguided. Researchers have an opportunity to look how to achieve the principles of CRM in a manner that satisfies both the business and the customer.

Implications for Industry

Companies have a huge interest in both the factors that lead customers to share intimate information and the tools to facilitate this. CRM for many companies has been used for the wrong reasons, such as industry buzz or imitation of competitors. CRM has focused on the collection of information, but has yet to truly pass on the benefits expected by or promised to the customer. If a business can provide these benefits using CRM, they can achieve their own goals, including customer loyalty.

Limitations

A primary assumption of this paper is that companies only have the ability to collect information from the customer on a voluntary basis. However, there are means that companies use to collect information of customer traffic and the links that referred the customer. Covert collection methods, once discovered, are expected to further diminish a customer's trust in the online environment as a whole. This indicates an incentive to disclose implicit tracking practices.

Another assumption is that customers are willing to have relationships with online businesses. This implies a need for multiple interactions, rather than one time purchases. While businesses might like to collect all kinds of information about the customer, a customer making a one time purchase will not likely provide great amounts of personal information nor a reason to form a relationship. The business will have to evaluate their customer base to decide if their customers are looking to make many purchases from their website. If not, then companies will be less able to leverage CRM technology, nor is it really in their interest. They would need to simply facilitate sales.

Also, there is little information about Customer Intimacy. Treacy and Wiersema deal with the topic in some detail, but it is from the company's perspective. Therefore, the Continuum of Customer Intimacy is an attempt to see the other side of the coin, though to the author's knowledge, there is not a theory base for this construct. The Continuum of Customer Intimacy needs to be grounded. It is conceptual at this point and has been viewed thus far by few eyes.

Future Research

To increase the usefulness of this research to both academics and practitioners, the remainder of the conceptual model needs to be expanded. Is it true that increased customer information will lead to a better ability for a company to meet the needs and predict the desires of their customers? Should this information be of a certain type? Does more intimate information increase this ability? Does it lead to customer loyalty? Is customer loyalty derived from an iterative or reciprocal relationship?

Also, the Continuum of Customer Intimacy needs to be grounded, and the conceptual model presented here needs to be transformed into a research model for testing. Conceptual arguments have been made, but the research will realize its strength through empirical testing. Additionally, the expanded model needs similar treatment.

Finally, do customers have the same Continuum for Customer Intimacy for all types of web use? For example, should we expect that entertainment websites should follow the same path? It is not likely that this is the case, which suggests that web use type affects the willingness of the customer to share intimate information. Does the continuum change over time? Are customers becoming less trusting or more trusting of websites?

CONCLUSION

Companies are collecting vast amounts of information about customers, from names and addresses to preferences, in order to better understand customers. Customers are reluctant to continue to give increasingly personal information that they do not perceive benefit from and companies are doing a poor job of using the information they collect in ways that the customer realizes. This leads to reluctance of customers to share information unnecessarily. Furthermore, customer concerns for privacy, perceptions of website quality, perceptions of the company, and perceived substitutes of the website are all factors affecting the customer's willingness to share intimate information.

Companies do have at their disposal the tools of CRM, which can be used to give benefit back to the customer, rebuilding or solidifying the relationship between the two. If companies fail to demonstrate the benefits or cost reductions to customers, companies can expect to have transaction relationships only, if at all. Companies effectively using CRM tools have the ability to affect a number of variables that are proposed to affect the customer's willingness to share intimate information. In the end, it is up to the company to pass the benefits of increased information back to the customer, or run the risk of being substituted.

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